

Gibson Energy Inc.

Condensed Consolidated Financial Statements
March 31, 2016 and 2015
(in thousands of Canadian dollars)

Gibson Energy Inc.

Condensed Consolidated Balance Sheet

(tabular amounts in thousands of Canadian dollars)

	<u>March 31, 2016</u>	<u>December 31, 2015</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 39,159	\$ 82,775
Trade and other receivables (note 4)	329,591	370,313
Inventories (note 5)	86,109	107,593
Income taxes receivable	14,950	16,130
Prepaid expenses and other assets	16,039	18,124
Net investment in finance leases	1,095	1,045
Total current assets	<u>486,943</u>	<u>595,980</u>
Non-current assets		
Property, plant and equipment (note 6)	1,780,460	1,771,117
Long-term prepaid expenses and other assets	4,408	4,564
Net investment in finance leases	93,086	93,389
Deferred income tax assets	1,596	1,596
Intangible assets	132,332	145,433
Goodwill	659,274	670,907
Total non-current assets	<u>2,671,156</u>	<u>2,687,006</u>
Total assets	<u>\$ 3,158,099</u>	<u>\$ 3,282,986</u>
Liabilities		
Current liabilities		
Credit facilities (note 8)	90,308	35,000
Trade payables and accrued charges (note 7)	326,480	418,732
Dividends payable	41,743	40,363
Deferred revenue	8,902	7,690
Income taxes payable	403	7,775
Total current liabilities	<u>467,836</u>	<u>509,560</u>
Non-current liabilities		
Long-term debt (note 8)	1,244,389	1,291,423
Provisions (note 9)	168,920	155,343
Other long-term liabilities	11,183	13,975
Deferred income tax liabilities	130,295	145,684
Total non-current liabilities	<u>1,554,787</u>	<u>1,606,425</u>
Total liabilities	<u>2,022,623</u>	<u>2,115,985</u>
Equity		
Share capital (note 10)	1,680,855	1,672,323
Contributed surplus	29,783	34,959
Accumulated other comprehensive income	187,619	224,866
Deficit	(762,781)	(765,147)
Total equity	<u>1,135,476</u>	<u>1,167,001</u>
Total liabilities and equity	<u>\$ 3,158,099</u>	<u>\$ 3,282,986</u>

See accompanying notes

Gibson Energy Inc.

Condensed Consolidated Statement of Operations

(tabular amounts in thousands of Canadian dollars, except per share amounts)

	Three months ended	
	March 31,	
	2016	2015
Revenue (note 11)	\$ 959,044	\$ 1,392,342
Cost of sales (notes 13 and 14).....	932,319	1,333,307
Gross profit	<u>26,725</u>	<u>59,035</u>
General and administrative expenses (notes 13 and 14).....	17,509	14,623
Other operating loss (income)	828	(11,303)
Income from operating activities	<u>8,388</u>	<u>55,715</u>
Interest expense	19,807	20,462
Interest income	(124)	(82)
Foreign exchange (gain) loss on long-term debt (note 8).....	(47,795)	49,515
Income (loss) before income taxes	<u>36,500</u>	<u>(14,180)</u>
Income tax provision (recovery) (note 12).....	(7,609)	6,320
Net income (loss)	<u>\$ 44,109</u>	<u>\$ (20,500)</u>
Earnings (loss) per share (note 10)		
Basic.....	<u>\$ 0.35</u>	<u>\$ (0.16)</u>
Diluted.....	<u>\$ 0.34</u>	<u>\$ (0.16)</u>

See accompanying notes

Gibson Energy Inc.

Condensed Consolidated Statement of Comprehensive Income (Loss)

(tabular amounts in thousands of Canadian dollars)

	Three months ended	
	March 31,	
	2016	2015
Net income (loss)	\$ 44,109	\$ (20,500)
Other comprehensive income (loss)		
<i>Items that may be reclassified subsequently to statement of operations</i>		
Exchange differences on translating foreign operations.....	(37,247)	65,452
Other comprehensive income, net of tax	(37,247)	65,452
Comprehensive income (loss)	\$ 6,862	\$ 44,952

See accompanying notes

Gibson Energy Inc.

Condensed Consolidated Statement of Changes in Equity

(tabular amounts in thousands of Canadian dollars)

	Share capital (note 18)	Contributed surplus	Accumulated other comprehensive income	Deficit	Total Equity
Balance – January 1, 2015	\$ 1,634,001	\$ 23,841	\$ 93,011	\$ (323,673)	\$ 1,427,180
Net loss	-	-	-	(20,500)	(20,500)
Other comprehensive income, net of tax	-	-	65,452	-	65,452
Comprehensive income	-	-	65,452	(20,500)	44,952
Employee share options:					
Stock based compensation	-	4,466	-	-	4,466
Proceeds from exercise of stock options ...	-	-	-	-	-
Reclassification of contributed surplus on exercise of stock option and other stock awards	8,719	(8,719)	-	-	-
Issuance of common shares in connection with the dividend reinvestment and stock dividend programs	8,212	-	-	-	8,212
Dividends on common shares (\$0.32 per common share)	-	-	-	(40,080)	(40,080)
Balance – March 31, 2015	<u>\$ 1,650,932</u>	<u>\$ 19,588</u>	<u>\$ 158,463</u>	<u>\$ (384,253)</u>	<u>\$ 1,444,730</u>
Balance – January 1, 2016	\$ 1,672,323	\$ 34,959	\$ 224,866	\$(765,147)	\$ 1,167,001
Net income	-	-	-	44,109	44,109
Other comprehensive loss, net of tax	-	-	(37,247)	-	(37,247)
Comprehensive income (loss)	-	-	(37,247)	44,109	6,862
Employee share options:					
Stock based compensation	-	3,356	-	-	3,356
Reclassification of contributed surplus on exercise of stock option and other stock awards	8,532	(8,532)	-	-	-
Dividends on common shares (\$0.33 per common share)	-	-	-	(41,743)	(41,743)
Balance – March 31, 2016	<u>\$ 1,680,855</u>	<u>\$ 29,783</u>	<u>\$ 187,619</u>	<u>\$ (762,781)</u>	<u>\$ 1,135,476</u>

See accompanying notes

Gibson Energy Inc.

Condensed Consolidated Statement of Cash Flows

(tabular amounts in thousands of Canadian dollars)

	Three months ended March 31,	
	2016	2015
Cash provided by (used in)		
Operating activities		
Income from operating activities	\$ 8,388	\$ 55,715
Items not affecting cash		
Depreciation of property, plant and equipment (notes 6)	43,753	44,157
Amortization of intangible assets	11,900	14,213
Stock based compensation	3,356	4,466
Gain on sale of property, plant and equipment	(1,208)	(928)
Other	(533)	(119)
Net (gain) loss on fair value movement of financial instruments (note 13).....	826	(4,071)
Changes in items of working capital		
Trade and other receivables	29,109	205,715
Inventories	20,526	34,866
Other current assets	1,539	(1,019)
Trade payables and accrued charges	(20,340)	(149,399)
Deferred revenue	1,213	(7,501)
Income taxes paid, net	(12,985)	(11,029)
Net cash provided by operating activities	<u>85,544</u>	<u>185,066</u>
Investing activities		
Purchase of property, plant and equipment	(90,187)	(101,787)
Purchase of intangible assets	(9,582)	(5,973)
Acquisitions, net of cash acquired	-	(8,993)
Proceeds on sale of assets	2,100	1,970
Net cash used in investing activities	<u>(97,669)</u>	<u>(114,783)</u>
Financing activities		
Payment of shareholder dividends	(40,363)	(37,346)
Proceeds from dividend reinvestment plans	-	8,212
Interest paid	(44,798)	(41,360)
Interest received	124	72
Proceeds from credit facilities	183,737	-
Repayment of credit facilities	(128,429)	-
Repayment of finance lease liabilities	-	(139)
Net proceeds on settlement of derivative financial instruments (note 13)	-	36,582
Net cash provided used in financing activities	<u>(29,729)</u>	<u>(33,979)</u>
Effect of exchange rate on cash and cash equivalents	(1,762)	4,330
Net increase (decrease) in cash and cash equivalents	(43,616)	40,634
Cash and cash equivalents – beginning	82,775	131,911
Cash and cash equivalents – ending	<u>\$ 39,159</u>	<u>\$ 172,545</u>

See accompanying notes

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

(tabular amounts in thousands of Canadian dollars, except where noted)

1 General Information

Gibson Energy Inc. (“Gibsons” or the “Company”) was incorporated pursuant to the Business Corporations Act (Alberta). The Company’s common shares are traded on the Toronto Stock Exchange under the symbol “GEI”.

Gibsons is engaged in the movement, storage, blending, processing and marketing and distribution of crude oil, condensate, natural gas liquids, water, oilfield waste and refined products. The Company also provides emulsion treating, water disposal, oil-field waste management services and propane distribution. The Company is incorporated and domiciled in Canada. The address of the Company’s principal place of business is 1700, 440 Second Avenue S.W., Calgary, Alberta, Canada.

2 Basis of preparation

These condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, as set out in IAS 34, “Interim Financial Reporting”. The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2015, which have been prepared in accordance with IFRS as issued by the IASB. These condensed consolidated financial statements were approved for issuance by the Company’s board of directors (“Board”) on May 3, 2016.

These consolidated financial statements are presented in Canadian dollars, the Company’s functional currency, and all values are rounded to the nearest thousands of dollars, except where indicated otherwise. All references to \$ are to Canadian dollars and references to U.S.\$ are to United States dollars.

3 Changes in accounting policies and disclosures

New and amended standards adopted by the Company

The Company adopted the following new and revised standards, along with any consequential amendments. These changes were made in accordance with applicable transitional provisions.

- The annual improvements process addresses issues in the 2012-2016 reporting cycles including changes to IFRS 5, Non-current assets held for sale and discontinued operations, IFRS 7, Financial instruments: Disclosures, IAS 19, Employee benefits, and IAS 34, Interim financial reporting. These improvements are effective for periods beginning on or after January 1, 2016. The adoption of these improvements did not have a material impact on the consolidated financial statements.
- IAS 1, Presentation of financial statements (“IAS 1”), has been amended to clarify the guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendment to IAS 1 is effective for annual periods beginning on or after January 1, 2016. The adoption of this amendment did not have a material impact on the consolidated financial statements.
- IFRS 10, Consolidated financial statements (“IFRS 10”), and IAS 28, Investments in associates and joint ventures (“IAS 28”), has been amended to address an inconsistency between IFRS 10 and IAS 28 in regards to a sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when the transaction involves a business combination, and whereas a partial gain is recognized when the transaction involves the assets that do not constitute a business. Additionally, the amendments clarify the exception from preparing consolidated financial statements, the consolidation requirements for subsidiaries which act as an extension of an investment entity, and the requirements for equity accounting for investments in associates and joint ventures. The amendments to IFRS 10 and IAS 28 are effective for annual periods beginning on or after January 1, 2016. The adoption of these amendments did not have a material impact on the consolidated financial statements.

New standards and interpretations issued during the quarter

- IFRS 16, Leases (“IFRS 16”), has been issued as a new standard on leases and will supersede IAS 17. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

(tabular amounts in thousands of Canadian dollars, except where noted)

4 Trade and other receivables

	<u>March 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Trade receivables	\$ 316,908	\$ 353,485
Allowance for doubtful accounts	(2,111)	(1,950)
Trade receivables - net	<u>314,797</u>	<u>351,535</u>
Risk management assets (note 13)	3,235	8,415
Deposits held as collateral	459	43
Broker accounts receivable	1,203	1,561
Indirect taxes receivable	5,727	5,579
Other	4,170	3,180
	<u>\$ 329,591</u>	<u>\$ 370,313</u>

5 Inventories

	<u>March 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Crude oil.....	\$ 36,638	\$ 46,876
Diluent.....	1,163	1,244
Asphalt	13,774	10,928
Natural gas liquids	8,648	22,238
Wellsite fluids and distillate	9,506	8,856
Spare parts and other	16,380	17,451
	<u>\$ 86,109</u>	<u>\$ 107,593</u>

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

(tabular amounts in thousands of Canadian dollars, except where noted)

6 Property, plant and equipment

	Land & Buildings	Pipelines and Connections	Tanks	Rolling Stock	Plant, Equipment & Disposal wells	Work in Progress	Total
Cost:							
At January 1, 2016.....	\$ 207,519	\$ 168,179	\$ 542,750	\$ 491,946	\$ 843,111	\$290,582	\$ 2,544,087
Additions	1,833	-	2,791	2,335	11,047	39,804	57,810
Disposals.....	(517)	-	(722)	(9,031)	(4,802)	-	(15,072)
Reclassifications	68	45,782	6,430	-	7,405	(59,685)	-
Change in decommissioning provision (note 9)	-	1,659	5,057	-	8,162	-	14,878
Effect of movements in exchange rates	(1,805)	-	(1,023)	(15,207)	(17,147)	(545)	(35,727)
At March 31, 2016.....	\$ 207,098	\$ 215,620	\$ 555,283	\$ 470,043	\$ 847,776	\$270,156	\$ 2,565,976
Accumulated depreciation and impairment:							
At January 1, 2016.....	\$ 31,941	\$ 62,648	\$ 101,156	\$ 251,585	\$ 325,640	\$ -	\$ 772,970
Depreciation.....	1,886	3,371	6,084	13,996	18,416	-	43,753
Disposals.....	(415)	-	(623)	(8,551)	(4,577)	-	(14,166)
Reclassifications	-	-	-	-	-	-	-
Effect of movements in exchange rates	(196)	-	(431)	(8,723)	(7,691)	-	(17,041)
At March 31, 2016.....	\$ 33,216	\$ 66,019	\$ 106,186	\$ 248,307	\$ 331,788	\$ -	\$ 785,516
Carrying amounts:							
At January 1, 2016.....	\$ 175,578	\$ 105,531	\$ 441,594	\$ 240,361	\$ 517,471	\$290,582	\$ 1,771,117
At March 31, 2016.....	173,882	149,601	449,097	221,736	515,988	270,156	1,780,460

Additions to property, plant and equipment includes capitalization of interest of \$3.6 million and \$2.2 million for the three months ended March 31, 2016 and 2015, respectively.

7 Trade payables and accrued charges

Trade payables and accrued charges include the following items:

	March 31, 2016	December 31, 2015
Trade payables	\$ 254,438	\$ 322,347
Accrued compensation charges.....	17,130	18,409
Indirect taxes payable	4,188	3,164
Risk management liabilities (note 13)	3,535	5,479
Broker accounts payable	116	-
Defined benefit plan obligations	729	465
Interest payable	17,316	39,251
Due to Hunting plc.....	8,585	8,585
Other	20,443	21,032
	<u>\$ 326,480</u>	<u>\$ 418,732</u>

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

(tabular amounts in thousands of Canadian dollars, except where noted)

8 Loans and Borrowings

Revolving Credit Facility

The Company has established an unsecured revolving credit facility of up to \$500.0 million (the “Revolving Credit Facility”), with a maturity date of August 15, 2020, the proceeds of which are available to provide financing for working capital and other general corporate purposes. In addition, the Company has three demand letter of credit facilities totaling \$150.0 million.

The Revolving Credit Facility provides sub-facilities for letters of credit, swingline loans and borrowings in Canadian dollars and U.S. dollars. Borrowings under the Revolving Credit Facility bear interest at a rate equal to Canadian Prime Rate or U.S. Base Rate or LIBOR or Canadian Bankers Acceptance Rate as the case may be plus an applicable margin. The applicable margin for borrowings under the Revolving Credit Facility is subject to step up and step down based on the Company’s total debt leverage ratio. In addition, the Company must pay a standby fee on the unused portion of the Revolving Credit Facility and customary letter of credit fees equal to the applicable margins based on the Company’s total debt leverage ratio.

The Revolving Credit Facility contains certain covenants including financial covenants requiring the Company to maintain ratios of maximum consolidated senior and total debt leverage ratio covenants of no greater than 4.85:1.0 with such threshold decreasing to 4.25:1.0 for the period beginning January 1, 2018 and ending on March 31, 2018, and decreasing thereafter to 4.0:1.0 for total debt and 3.5:1.0 for senior debt and minimum interest coverage ratio of no less than 2.5 to 1.0.

As at March 31, 2016, the Company was in compliance with all covenants under the Revolving Credit Facility.

The Company had \$90.3 million and \$35.0 million drawn against the Revolving Credit Facility as at March 31, 2016 and December 31, 2015, respectively. The Company had issued letters of credit totalling \$31.8 million and \$32.6 million as at March 31, 2016 and December 31, 2015, respectively.

Long-term debt

	<u>March 31, 2016</u>	<u>December 31, 2015</u>
U.S.\$550.0 million 6.75% Notes due July 15, 2021	\$ 713,405	\$ 761,200
\$250.0 million 7.00% Notes due July 15, 2020	250,000	250,000
\$300.0 million 5.375% Notes due July 15, 2022	300,000	300,000
Unamortized issue discount and debt issue costs	(19,016)	(19,777)
Long-term debt: non-current portion	<u>\$ 1,244,389</u>	<u>\$ 1,291,423</u>

The Company’s long-term debt contains non-financial covenants and customary events of default clauses. As of March 31, 2016 and December 31, 2015, the Company was in compliance with all of its covenants. As at March 31, 2016 and December 31, 2015, the fair value of long-term debt based on period end trading prices on the secondary market (Level 2) was \$1,163.4 million and \$1,235.6 million, respectively.

Foreign exchange (gain) loss on long-term debt

As a result of the movement in foreign exchange rates, the Company recorded foreign exchange losses, net, on long-term debt as follows:

	<u>Three months ended March 31,</u>	
	<u>2016</u>	<u>2015</u>
Foreign exchange (gain) loss on movement in exchanges rates on U.S. dollar long-term debt	\$ (47,795)	\$ 59,510
Gain on financial instruments relating to long-term debt (note 13)	-	(9,995)
Foreign exchange (gain) loss on long-term debt	<u>\$ (47,795)</u>	<u>\$ 49,515</u>

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

(tabular amounts in thousands of Canadian dollars, except where noted)

9 Provisions

The aggregate carrying amounts of the obligation associated with decommissioning and site restoration on the retirement of assets and environmental costs are as follows:

	Three months ended March 31, 2016	Year ended December 31, 2015
Opening balance	\$ 155,343	\$ 136,347
Settlements.....	(660)	(4,247)
Additions	6,372	6,774
Change in estimated future cash flows	-	2,240
Change in discount rate	8,506	8,611
Unwinding of discount	559	3,251
Effect of changes in foreign exchange rates	(1,200)	2,367
Closing balance.....	<u>\$ 168,920</u>	<u>\$ 155,343</u>

In order to determine the current provision, the estimated future values were discounted using an average risk-free rate of 2.0% and 2.1% at March 31, 2016 and December 31, 2015, respectively. The provision is expected to be settled up to 40 years into the future.

10 Share capital

	Number of shares	Share Capital
At January 1, 2016	126,135,566	\$ 1,672,323
Issuance of common shares in connection with the equity incentive plan	358,321	-
Reclassification of contributed surplus on exercise of stock options and other stock awards.....	-	8,532
At March 31, 2016	<u>126,493,887</u>	<u>\$ 1,680,855</u>

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

(tabular amounts in thousands of Canadian dollars, except where noted)

Share based payments

A summary of activity under the equity incentive plan is as follows:

	Stock Options		Restricted Share Units	Performance Share Units	Deferred Share Units
	Number of shares	Weighted average exercise price (in dollars)	Number of Shares		
Balance at January 1, 2016	3,317,168	\$ 23.81	610,151	1,027,842	190,950
Granted	-	-	586,837	490,693	44,975
Exercised and released for common shares	-	-	(233,986)	(80,355)	(43,972)
Forfeited.....	(30,385)	\$ 26.59	(11,829)	(114,895)	-
Balance at March 31, 2016	<u>3,286,783</u>	<u>\$ 26.78</u>	<u>951,173</u>	<u>1,323,285</u>	<u>191,953</u>
Vested	2,435,089	\$ 22.79	106,240	-	191,953

At March 31, 2016, awards available to grant under the equity incentive plan were approximately 6.9 million.

Per share amounts

	Three months ended March 31,	
	2016	2015
Weighted average common shares outstanding - Basic	126,228	124,892
Dilutive effect of:		
Stock options and other awards	2,055	-
Weighted average common shares outstanding - Diluted	<u>128,283</u>	<u>124,892</u>

The dilutive effect of 1.8 million stock options and other awards for the three months ended March 31, 2015, has not been included in the determination of the weighted average number of common shares outstanding as the inclusion would be anti-dilutive to the net loss per share.

11 Revenue

	Three months ended March 31,	
	2016	2015
Products	\$ 741,607	\$ 1,162,981
Services.....	217,437	229,411
	<u>\$ 959,044</u>	<u>\$ 1,392,342</u>

12 Income tax provision (recovery)

The income tax provision (recovery) included in the condensed consolidated statement of operations is classified as follows:

	Three months ended March 31,	
	2016	2015
Current	\$ 6,720	\$ 14,142
Deferred	(14,329)	(7,822)
Income tax provision (recovery)	<u>\$ (7,609)</u>	<u>\$ 6,320</u>
Effective income tax rate	<u>(20.8)%</u>	<u>(44.6)%</u>

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Notes to Condensed Consolidated Financial Statements

(tabular amounts in thousands of Canadian dollars, except where noted)

13 Financial instruments

Derivative financial instruments (recurring fair value measurements)

The following is a summary of the Company's risk management contracts outstanding:

	March 31, 2016		December 31, 2015	
	Assets	Liabilities	Assets	Liabilities
Commodity futures	\$ 1,525	\$ 819	\$ 1,105	\$ 337
Commodity swaps	750	347	6,545	3,165
Commodity options	357	312	765	13
Equity swaps.....	-	3,540	-	5,390
Foreign currency forwards.....	692	5	-	398
Total.....	\$ 3,323	\$ 5,023	\$ 8,415	\$ 9,303
Less non-current portion:				
Commodity futures	89	-	-	3,824
Equity swaps.....	-	1,489	-	3,824
	89	1,489	-	3,824
Current portion	\$ 3,234	\$ 3,534	\$ 8,415	\$ 5,479

During the three months ended March 31, 2015, the Company received net cash of \$36.6 million on the settlement of U.S. dollar forward contracts and U.S. dollar options on notional amounts of U.S. \$250.0 million, respectively.

The fair value of financial instrument contracts by fair value hierarchy at March 31, 2016 was:

	Total	Level 1	Level 2	Level 3
Assets from financial instrument contracts				
Commodity futures	\$ 1,525	\$ 1,525	\$ -	\$ -
Commodity swaps	750	-	750	-
Commodity options	357	-	357	-
Foreign currency forwards.....	692	-	692	-
Total assets	\$ 3,323	\$ 1,525	\$ 1,799	\$ -
Liabilities from financial instrument contracts				
Commodity futures	\$ 819	\$ 819	\$ -	\$ -
Commodity swaps	347	-	347	-
Commodity options	312	-	312	-
Equity swaps.....	3,540	3,540	-	-
Foreign currency forwards.....	5	-	5	-
Total liabilities.....	\$ 5,023	\$ 4,359	\$ 664	\$ -

The fair value of financial instrument contracts by fair value hierarchy at December 31, 2015 was:

	Total	Level 1	Level 2	Level 3
Assets from financial instrument contracts				
Commodity futures	\$ 1,105	\$ 1,105	\$ -	\$ -
Commodity swaps	6,545	-	6,545	-
Commodity options	765	-	765	-
Total assets	\$ 8,415	\$ 1,105	\$ 7,310	\$ -
Liabilities from financial instrument contracts				
Commodity futures	\$ 337	\$ 337	\$ -	\$ -
Commodity swaps	3,165	-	3,165	-
Commodity options	13	-	13	-
Equity swaps.....	5,390	5,390	-	-
Foreign currency forwards.....	398	-	398	-
Total liabilities.....	\$ 9,303	\$ 5,727	\$ 3,576	\$ -

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

(tabular amounts in thousands of Canadian dollars, except where noted)

The impact of the movement in the fair value of financial instruments has been expensed in the consolidated statement of operations as follows:

	Three months ended March 31,	
	2016	2015
Cost of sales	\$ 2,676	\$ (2,822)
General and administrative	(1,850)	(1,249)
Foreign exchange gain on long-term debt (note 8)	-	(9,995)
	<u>\$ 826</u>	<u>\$ (14,066)</u>

Sensitivity

If the Canadian dollar strengthened or weakened by 5% relative to the U.S. dollar and all other variables, in particular interest rates, remain constant, the impact on net income and equity would be as follows:

	March 31,	
	2016	2015
U.S. Dollar Forwards and Options		
Favorable 5% change	\$ 1,342	\$ 2,303
Unfavorable 5% change	(1,342)	(2,437)

The following table summarizes the impact to net income and equity due to a change in fair value of the Company's derivative positions because of fluctuations in commodity prices leaving all other variables constant, in particular foreign currency rates. The Company believes that a 15% volatility in crude oil and NGL related prices is a reasonable assumption.

	March 31,	
	2016	2015
Crude oil and NGL related prices		
Favorable 15% change	\$ 4,942	\$ 5,189
Unfavorable 15% change	(3,802)	(3,989)

If the Company's share price increased or decreased by 10%, the impact on net income and equity would be as follows:

	March 31,	
	2016	2015
Equity Swaps		
Favorable 10% change	\$ 699	\$ 1,050
Unfavorable 10% change	(699)	(1,050)

Set out below is maturity analyses of certain of the Company's financial contractual obligations as at March 31, 2016. The maturity dates are the contractual maturities of the obligations and the amounts are the contractual undiscounted cash flows.

	On demand or within one year	Between one and five years	After five years	Total
Trade payables and accrued charges, excluding risk management liabilities and interest payable	\$ 305,629	\$ -	\$ -	\$ 305,629
Dividend payable	41,743	-	-	41,743
Credit facilities	-	90,308	-	90,308
Long-term debt	-	250,000	1,013,405	1,263,405
Interest on long-term debt	74,965	299,859	262,310	637,134
Commodity futures	819	-	-	819
Commodity swaps	347	-	-	347
Commodity options	312	-	-	312
Equity swap	2,051	1,489	-	3,540
Foreign currency forwards	5	-	-	5
	<u>\$ 425,871</u>	<u>\$ 641,656</u>	<u>\$1,275,715</u>	<u>\$ 2,343,242</u>

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14 Employee salaries and benefits

	Three months ended March 31,	
	2016	2015
Salaries and wages	\$ 67,420	\$ 77,216
Post-employment benefits	2,121	1,976
Share based compensation	3,356	4,466
Termination benefits	5,695	75
	<u>\$ 78,592</u>	<u>\$ 83,733</u>

Employee salaries and benefits have been expensed as follows:

	Three months ended March 31,	
	2016	2015
Cost of sales	\$ 70,554	\$ 73,694
General and administrative	8,038	10,039
	<u>\$ 78,592</u>	<u>\$ 83,733</u>

15 Segmental information

In the three months ended March 31, 2016, following a review of the management of the Company's operations, and in support of improved customer interface and enhanced internal efficiencies the Company implemented several management and organizational changes. These changes caused the Company to realign its internal management reporting structure, and therefore the Company has also changed its external segment reporting structure to align with how information of the business is regularly reviewed internally for the purposes of decision making, allocating resources and assessing performance. The results of the Company are now being reported in the following reportable segments:

- (1) Infrastructure** includes a network of midstream infrastructure assets that includes oil terminals, rail loading and unloading facilities, injection stations, gathering pipelines and processing facilities that collect, store, and process oil and other liquid hydrocarbon production and by-products before eventual distribution to end-use markets. The primary facilities within this segment include the terminals located at Edmonton and Hardisty, which are the principal hubs for aggregating and exporting oil and refined products out of the Western Canadian Sedimentary Basin; gathering pipelines, which are connected to the Hardisty Terminal; injection stations, which are located in the United States; a crude oil processing facility in Moose Jaw, Saskatchewan, and processing, recovery, and disposal terminals located throughout Western Canada and the Northern United States.
- (2) Logistics** includes a suite of logistical wellsite services that enable oil and liquids production to access fixed midstream infrastructure. This segment provides transportation and related services that allow the Company to service its customers' needs several times between the wellhead and the end market, and includes hauling services for crude, condensate, propane, butane, asphalt, methanol, sulfur, petroleum coke, gypsum, emulsion, waste water and drilling fluids to many of North America's leading oil and gas producers. Additionally, the Company also provides several ancillary services to production companies.
- (3) Wholesale** includes the purchasing, selling, storing and blending of hydrocarbon products, including crude oil, NGL's, road asphalt, roofing flux, frac oils, light and heavy straight run distillates, combined vacuum gas oil, and an oil based mud product. This segment earns margins by providing aggregation services to producers and/by capturing quality, locational or time-based arbitrage opportunities.
- (4) Industrial Propane** is one of the largest retail propane suppliers in Canada with a diversified customer base including a focus on oil and gas customers in the Western Canada. This segment operates under the Canwest and Stittco brands and sells propane and related equipment to oil and gas, commercial and other end-user customers.
- (5) Other** includes the provision of other services to the oil and gas industry including exploration support services and accommodation services.

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This new reporting structure provides a more direct connection between the Company's operations, the services it provides to customers and the ongoing strategic direction of the Company.

These reportable segments of the Company have been derived because they are the segments: (a) that engage in business activities from which revenues are earned and expenses are incurred; (b) whose operating results are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to each segment and assess its performance; and (c) for which discrete financial information is available. The Company has aggregated certain operating segments into the above noted reportable segments through examination of the Company's performance which is based on the similarity of the goods and services provided and economic characteristics exhibited by these operating segments.

Accounting policies used for segment reporting are consistent with the accounting policies used for the preparation of the Company's consolidated financial statements. Inter-segmental transactions are eliminated upon consolidation and the Company does not recognize margins on inter-segmental transactions. Comparative information has been recast to conform to our current segmented reporting information. No changes were implemented with respect to the consolidated data as a result of the recast.

Three months ended March 31, 2016

	Infrastructure	Logistics	Wholesale	Industrial Propane	Other	Total
Statement of operations						
Revenue						
External	\$ 45,370	\$126,942	\$ 727,947	\$ 52,817	\$ 5,968	\$ 959,044
Inter-segmental	26,253	13,107	57,826	82	58	97,326
External and inter-segmental	<u>71,623</u>	<u>140,049</u>	<u>785,773</u>	<u>52,899</u>	<u>6,026</u>	<u>1,056,370</u>
Segment profit	<u>\$ 48,361</u>	<u>\$ 9,683</u>	<u>\$ 5,165</u>	<u>\$ 16,474</u>	<u>\$ 538</u>	<u>\$ 80,221</u>
Corporate & other reconciling balances						
Depreciation of property, plant and equipment						43,753
Amortization of intangible assets						11,900
General and administrative						12,022
Stock based compensation						3,356
Corporate foreign exchange loss						802
Interest expense						19,807
Interest income						(124)
Foreign exchange gain on long-term debt						<u>(47,795)</u>
Net income before income tax						36,500
Income tax recovery						<u>(7,609)</u>
Net income						<u>\$ 44,109</u>

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Three months ended March 31, 2015

(Restated)

	Infrastructure	Logistics	Wholesale	Industrial Propane	Other	Total
Statement of operations						
Revenue						
External	\$ 41,087	\$ 171,441	\$ 1,099,853	\$ 72,845	\$ 7,116	\$ 1,392,342
Inter-segmental.....	24,390	15,727	93,978	59	-	134,154
External and inter-segmental.....	65,477	187,168	1,193,831	72,904	7,116	1,526,496
Segment profit	\$ 43,518	\$ 28,785	\$ 30,929	\$ 19,393	\$ 161	\$ 122,786
Corporate & other reconciling balances						
Depreciation of property, plant and equipment.....						44,157
Amortization of intangible assets.....						14,213
General and administrative						8,560
Stock based compensation						4,466
Corporate foreign exchange gain						(4,325)
Interest expense.....						20,462
Interest income.....						(82)
Foreign exchange loss on long-term debt						49,515
Net loss before income tax.....						(14,180)
Income tax provision						6,320
Net loss						\$ (20,500)

The breakdown of additions to property, plant and equipment and intangible assets, including through business combinations, by operating segment are as follows:

	Three months ended March 31			
	2016		2015 (Restated)	
	Property, plant and equipment	Intangible Assets	Property, plant and equipment	Intangible Assets
Infrastructure.....	\$ 52,929	\$ 844	\$ 69,020	\$ 555
Logistics.....	3,500	768	21,887	2,562
Wholesale.....	-	56	67	34
Industrial Propane	1,078	288	2,108	-
Corporate & other	303	1,618	809	4,130
	\$ 57,810	\$ 3,574	\$ 93,891	\$ 7,281

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Geographic data

Based on the location of the end user, approximately 27% and 20% of revenue was from customers in the United States for the three months ended March 31, 2016 and 2015, respectively.

The Company's non-current assets, excluding investment in finance leases and deferred tax assets, are primarily concentrated in Canada with 20% and 22% in the United States at March 31, 2016 and December 31, 2015, respectively.

Additional segment information

The following tables summarize the historical financial information for each reportable segment for the year ended December 31, 2015 and 2014:

Year ended December 31, 2015

(Restated)

	Infrastructure	Logistics	Wholesale	Industrial Propane	Other	Total
Statement of operations						
Revenue						
External	\$ 167,841	\$ 625,556	\$ 4,573,029	\$ 186,671	\$ 38,885	\$ 5,591,982
Inter-segmental.....	103,500	55,500	394,617	248	-	553,865
External and inter-segmental.....	<u>271,341</u>	<u>681,056</u>	<u>4,967,646</u>	<u>186,919</u>	<u>38,885</u>	<u>6,145,847</u>
Segment profit	<u>\$ 181,067</u>	<u>\$ 90,116</u>	<u>\$ 100,317</u>	<u>\$ 41,341</u>	<u>\$ 5,916</u>	<u>\$ 418,757</u>
Corporate & other reconciling balances						
Depreciation of property, plant and equipment.....						195,438
Amortization of intangible assets.....						87,554
Impairment of goodwill						175,959
General and administrative						39,569
Stock based compensation						20,379
Corporate foreign exchange gain						(4,970)
Interest expense.....						79,580
Interest income.....						(558)
Foreign exchange loss on long-term debt						<u>113,150</u>
Net loss before income tax.....						(287,344)
Income tax recovery.....						<u>(6,688)</u>
Net loss						<u>\$ (280,656)</u>

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Year ended December 31, 2014

(Restated)

	Infrastructure	Logistics	Wholesale	Industrial Propane	Other	Total
Statement of operations						
Revenue						
External	\$ 139,804	\$ 760,421	\$ 7,334,414	\$ 277,992	\$ 60,898	\$ 8,573,529
Inter-segmental.....	114,294	62,810	540,631	505	-	718,240
External and inter-segmental.....	<u>254,098</u>	<u>823,231</u>	<u>7,875,045</u>	<u>278,497</u>	<u>60,898</u>	<u>9,291,769</u>
Segment profit	<u>\$ 165,408</u>	<u>\$ 147,529</u>	<u>\$ 119,511</u>	<u>\$ 43,327</u>	<u>\$ 11,326</u>	<u>\$ 487,101</u>
Corporate & other reconciling balances						
Depreciation of property, plant and equipment.....						154,934
Amortization of intangible assets.....						54,991
General and administrative						37,385
Stock based compensation						13,977
Corporate foreign exchange gain						(3,912)
Interest expense.....						67,598
Interest income.....						(832)
Foreign exchange loss on long-term debt						<u>35,431</u>
Net loss before income tax.....						127,529
Income tax provision						<u>35,588</u>
Net income.....						<u>\$ 91,941</u>

16 Subsequent Events

On May 3, 2016, the Company announced that the Board declared a quarterly dividend of \$0.33 per common share for the quarter ending March 31, 2016 on its outstanding common shares. The common share dividend is payable on July 15, 2016 to shareholders of record at the close of business on June 30, 2016.